

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: MVP Health Insurance Company Frist)	Docket #:
And Second Quarter 2016 Grandfathered)	GMCB-011-15rr
Small Group EPO/PPO Rate Filing)	

MVPHIC Health Care's Memorandum in Lieu of Hearing

MVP Health Insurance Company (MVPHIC) hereby submits this Memorandum requesting that the Green Mountain Care Board (GMCB) approve the proposed rates as filed, and not as modified by the Board's actuary, Lewis and Ellis (L&E). MVPHIC and the Office of the Health Care Advocate (HCA) have agreed to waive the hearing before the GMCB in this proceeding.

Description of the Filing

This filing is for MVPHIC's "grandfathered" small group PPO/EPO line of business, which are high deductible health plans (HDHP). The filing contains the monthly premiums that MVPHIC proposes to charge small group members who renew coverage during 1Q2016 and 2Q2016.

MVPHIC is proposing to increase rates for its grandfathered small group EPO/PPO members renewing in 1Q2016 by 2.7% over the approved 1Q2015 rates and 2Q2016 rates by 2.3% over 2Q2015 rates for its HDHP plans. These rate increases are for both the medical and prescription drug component of the premium.

This filing is expected to cover approximately 2,107 members. These are members who are in grandfathered plans, as defined by the Affordable Care Act, and have chosen to continue in their current plans and not move to Exchange plans. This is a closed book of business.

Lewis and Ellis Recommendation

L&E recommends two modifications to the rate filing, one of which would *increase* the requested rate. It recommends updating enrollment by age and tier in the rate change development and the single conversion factor calculation (adding 1.1% to 1Q2016 rates). And secondly, recommends modifying the Rx trend assumption to reflect the "low estimate" rather than the "best estimate" MVPHIC utilized. MVPHIC will discuss each below. The modified annual rate change (increase) would then be 3.5% and 3.0% respectively (versus the 2.7% and 2.3% proposed by MVPHIC).

In all other aspects, L&E found MVPHIC's assumptions and calculations to be reasonable and appropriate, and recommends approval.

MVPHIC's Response to the Recommendation

Rate change development and single conversion factor: L&E proposed a change to the demographic assumption by using a single month in time, June 2015, rather than the experience period enrollment distribution. MVP does not believe a demographic snapshot is a better measure for the calculation of the single conversion factor. MVP utilizes experience period enrollment to determine the single conversion factor because the population used to derive the single conversion factor is consistent with the population that is the basis of MVP's claim and diagnosis data. L&E's analysis ignores actual claims and diagnosis data, and relies solely on demographic data for one month. MVP recommends the GMCB ignore L&E's recommendation related to the change in the single conversion factor. This will result in a lower premium for these members.

Rx trend assumption: L&E recommends approval of the trend used in MVPHP's 2016 Exchange rate filing (GMCB Docket # 007-15rr, SERFF MVPH – 130053210, filed May 15, 2015) and not the trend MVPHIC uses in this filing. This would result in a 0.3% reduction in 1Q2016 and 0.1% reduction in 2Q2016 proposed rates. MVPHIC disagrees with this recommendation for the following reason. MVPHIC's PBM vendor (CVS-Caremark) provided MVPHIC with three trend forecasts: low estimate, best estimate, and high estimate. The 2016 Exchange filing reflects the PBM's low end trend forecast while this filing utilizes the PBM's best estimate trend forecast. MVPHIC decided to use the "best estimate" in this filing because of growing concerns about Rx trend continuing to outpace forecasted trends due to new specialty drugs being approved in the second half of 2015 and 2016. MVP changed its 2016 trend forecast to reflect the PBM's best estimate trend. This is also because of the length of time that has passed since the Exchange rates were filed (May 2015). MVPHIC and its PBM have had several more months to monitor and evaluate trends and have determined that the "best estimate" trend would be the more appropriate trend, given the volatility of the Rx market.

MVPHIC also points out its continued efforts to reduce administrative costs have resulted in a reduction of administrative expense load in the filing of 1.5% from its 3Q2015 and 4Q2015 filing. MVPHIC's commitment to reducing administrative costs has been demonstrated across its recent rate filings before the Board and it will continue its cost reduction efforts.

And, of note, L&E does not recommend any reduction to MVPHIC's contribution to reserves of 2.0%,

Based on the above, MVPHIC asks the Board to approve the rates as filed.

s/ Susan Gretkowski
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Certificate of Service

I, Susan Gretkowski, hereby certify that I have served the above Memorandum on Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson and Kaili Kuiper, counsel of record for the Office of the Health Care Advocate, by electronic mail this 13th day of October, 2015.

s/ Susan Gretkowski
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